

*Using Computers For Farm Accounting:  
A Sampling of Programs*

by  
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Entering farm accounting records by hand in the Ohio Commercial Farm Account, or similar, book is still the way most farmers keep records. But more and more farmers are asking, "Is there a simple computer program that will keep my records like the farm account books?" While there is no program that mirrors the Ohio Farm Account Book, many can duplicate it. Today there are several commercial software programs that can do an excellent job of recording basic income and expense data for farmers, plus quickly summarizing and preparing reports such as data for Schedule F and cash flows. This article addresses some of the basic questions you should consider in selecting a computer record-keeping system. By computer record keeping system, I include both the hardware (computer and printer) and the software (computer programs that perform various tasks). This article will mainly emphasize software considerations.

*SOME INITIAL CONSIDERATIONS*

If this is your initial use of computers, don't start with a complex system or extensive set of data needs. *Many people have gotten discouraged and abandoned the computer, simply because they tried to do too much, too fast.* Start with a simple system, and get comfortable with it before investing a lot of money in hardware and software.

Three basic considerations are:

- 1) *The system should record all operations of the farm, with room for expansion.* Most accounting software, even the \$50 variety, will handle a large number of entries, especially if you have a computer with a hard disk. Expansion may be additional enterprises, but is more apt to be additional forms and types of reports. Initially you may only want data to do your tax return. But once all the data are entered, you may want to get data by individual enterprises, by employees, prepare a Balance Sheet or accrual Income Statement, etc. Not every program will allow for such growth. If you know you want to greatly expand your use of the computer over time, it may be easier to expand within a system, than to purchase another system.

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- 2) *The system should be "user friendly".* Many computer programs available today are menu driven and have "Help Screens" that lead you through the process of entering data and generating reports. I also like the ability to either show the report on screen or print it onto paper. This option saves a lot of paper when you only want to see a few numbers or you are not sure if you've selected the right report.
- 3) *Accounting knowledge should not be necessary to use the system.* The "Help Screens" must be backed up by a users manual that explains how to use the program and has examples of typical entries, such as payments on loans and statements with multiple purchases. Look through the manual. Is it readable to you? Does it allow you to start with a simple set of records and expand? Is there a good index?

### **CHART OF ACCOUNTS**

A chart of accounts is simply a way to organize entries into categories. *Five major groups are recognized in accounting: Receipts, Expenditures, Assets, Liabilities and Owner Equity.* The Ohio Commercial Farm Account Book essentially contains only Receipts such as grain, milk and livestock sales and Expenditures such as seed, fuel and feed purchases. These are all that is needed to complete Schedule F. Any software that you purchase can generate this data, but it will also allow you to record Asset and Liability data needed for Balance Sheet preparation. Most will generate Income Statements and Balance Sheets for use by you and lenders. But unless you choose to use accrual accounting, (few farmers do), you must take and enter detailed inventory information at the end of your accounting year. This includes not only inventories of grain, feed and livestock, but also of machinery, land, loans, and accounts payable and receivable. But this is something you can grow into, you don't have to learn it all at once.

### **STATEMENTS AND REPORTS**

This is where a computer record system pays for itself. *Most farmers will spend just as long entering data into a computer "record book" as they currently do by hand.* But the computer is faster and more accurate in totaling entries and assembling them into a variety of reports. Most computer software allows you to keep records for several checkbooks and simplifies balancing the monthly bank statements. A simple, low-cost system will keep your data in order, automatically offset the entries to other accounts, and provide one or more reports. But it may be limited in capacity or the ability to add further information. The more complicated, and more costly, programs allow enterprise reporting, retrieval by subaccount such as individual employees and creation of specialized reports. In addition, you should determine how much support - read this as help - they will provide, in training and answering questions by telephone.

Be aware that you will not be able to calculate depreciation or payroll records with most programs. These require complex software and are generally sold as separate packages.

## **HARDWARE**

Once you've selected the software programs you want to buy, see what hardware (computer) they recommend. A common purchase today is an IBM compatible computer with a 286 processor, a 3.5 inch floppy drive, and a 40 meg hard drive. Such a computer can be purchased for around \$1700. A dot matrix printer can be purchased for under \$200. This combination will do an acceptable job and will handle both data and programs for most farms for many years.

## **SOME FARM ACCOUNTING SOFTWARE**

There are hundreds of basic farm accounting programs available. The following are simply a sample of some being used in Ohio and illustrate the range of prices and features.

Quicken 4, (\$59.95) Intuit, PO Box 3014 Menlo Park, CA 94025. Call 1-800-624-8742 or buy at local computer stores.

This is a low-cost checkbook based package designed for personal, business and investment finances. It has an extensive manual, but you must define farm accounts and the manual does not have farm examples. It has a powerful report section, allowing you to generate (and memorize the settings of) reports for most any purpose. A drawback is you cannot total quantities sold or purchased. This program can record income & expense, and has a number of aids to simplify and save time in entering data.

Pioneer Dollarwise Accounting Program -(\$250)-Pioneer Hi-Bred International, Inc., Business Information Services, 11153 Aurora Avenue, Des Moines, Iowa 50322. 1-800-338-5878 (Extension 150)

This is an easy to use farm accounting package which has a chart of farm accounts built in. You select the ones you want to use. It allows enterprise accounting and has several basic tax and financial reports, such as Schedules F and C, cash flow and income statements. The documentation contains examples of typical farm transactions. Pioneer also has a companion field record program for an additional \$250.

PC-Mars - (\$350) - Iowa Farm Business Accounting, Inc., 226 S.E. 16th Street, P.O. Box 1809, Ames, Iowa 50010. 515-233-5802

This program was developed to computerize the Iowa farm account book. The program contains a chart of accounts which can be easily modified to your farm. It too allows enterprise accounting and has a larger number of reports, including ones on loans and data summaries to prepare Forms W-2 and 943.

Horizon Accounting - (\$625) - Harvest Computer Systems, 120 North Harrison, Alexandria, IN 46001. 317-724-4429

Horizon Accounting has been one of the popular programs among farmers, ranking 1 or 2 in user surveys by Doane's Farm Management Service over the last few years. Documentation is good, covering many difficult farm transactions. Choose from 2 charts of accounts. A simpler version, Farm Ledger Pro, can be purchased for \$425. The base programs generate basic tax and financial reports. And a variety of other programs can be purchased including ones to generate additional reports, track field records, calculate depreciation and handle payroll.

Transactions Plus - (\$995) - FBS Systems, Inc., P.O. Box 248, Aledo, IL 61231 309-582-5628

FBS's Transaction Plus (TA+) is another top ranked record program in Doane's survey. The basic accounting program has very good documentation and is available in several versions at prices ranging from \$349 to \$1,000. Choose from 3 charts of accounts. The starter version collects less information and generates fewer reports, but data is compatible with higher priced versions. TA+ generates a large number of reports and also allows custom built reports tailored to individual farm needs. Again a variety of related programs can be purchased including special programs for Coordinated Financial Statements, field records, depreciation and payroll. All are integrated with Transactions Plus to share data.

## **SUMMARY**

A variety of accounting programs are available to farmers, at a range of prices and performance. Persons with computer experience should have minimal problems using any of these programs. Persons who are new to computers should probably start with one of the simpler programs, but a switch to another program may be needed in a few years if their business is large and/or complex.

Recognize that simply purchasing a computer program will not guarantee good records. The reports and information coming out of the computer will only be as good as the information that you put in and the software that processes it. Regular entry of income and expense data and review of interim reports is a must.

OCES can provide an introduction to record keeping on computers via 2 or 3 day workshops. These provide opportunity to enter data and generate reports on 1 or more of these programs. If interested, contact your county agricultural extension agent.